

## IDENTIFICATION OF PROPERTY

In total, the subject property contains six parcels of land generally located at LBJ Freeway and Luna Road in Farmers Branch, Dallas County, Texas. The client has divided these six parcels into three properties (the Fenton Centre property, the 1700 Valley View Lane property and the 2021 Valley View Lane property). Essentially, the Fenton Centre property contains four, contiguous parcels and the other two tracts contains one parcel each.

The subject's three properties are defined by the client as follows:

### **Tract 1: Fenton Centre**

The Fenton Centre property consists of four contiguous tracts of land located at the northwest corner of LBJ Freeway and Luna Road. These four tracts are legally described as follows:

#### TRACT 1: (Lot 2, Block 1)

*Being a tract of land in the William P. Shahan Survey, Abstract No. 1337, and the Samuel P. Brown Survey, Abstract No. 158, Dallas County, Texas, and being a part of that tract of land described in deed to Prentiss Properties Acquisition Partners, LP, as recorded in Volume 2004100, Page 5411, Deed Records of Dallas County, Texas, (DRDCT), and being all of Lot 2, Block 1 of Lot 1, Lot 2, Lot 3, and Lot 4, Block 1, Park West Phase II, an Addition to the City of Farmers Branch, as recorded in Volume 85186, Page 3424, DRDCT.*

Comments: This tract has a street address of 12000 Luna Road. This is a vacant tract of land (considered excess land).

#### TRACT 2: (Lot 4, Block 1 – Site C-3)

*Being a tract of land located in the Samuel P. Brown Survey, Abstract No. 158, and the James F. Chenoeth Survey, Abstract No. 267, in the City of Farmers Branch, Dallas County, Texas, and being all of that tract of land described in deed to Prentiss Properties Acquisition Partners, L.P., as recorded in Volume 2003023, Page 12063, Deed Records, Dallas County, Texas, (DRDCT), and being all of Lot 4, Block 1 of Lot 1, Lot 2, Lot 3, and Lot 4, Block 1, Park West Phase II, an Addition to the City of Farmers Branch, as recorded in Volume 85186, Page 3424, DRDCT.*

Comments: This tract has a street address of 1501-1503 LBJ Freeway. It is improved with Fenton Centre I, a 345,378 square foot office building.

TRACT 3: (Lot 3, Block 1 – Site C-2)

*Being a tract of land located in the Samuel P. Brown Survey, Abstract No. 158, and the James F. Chenoeth Survey, Abstract No. 267, in the City of Farmers Branch, Dallas County, Texas, and being all of that tract of land described in the Substitute Trustee's Deed to PL Properties Associates, L.P., as recorded in Volume 95173, Page 6931, Deed Records of Dallas County, Texas (DRDCT), and also being all of Lot 3, Block 1, Revised Park West – Phase II Addition, an addition to the City of Farmers Branch, Dallas County, Texas, as recorded in Volume 89157, Page 0043, DRDCT.*

Comments: This tract has a street address of 1505-1507 LBJ Freeway. It is improved with Fenton Centre II, a 351,146 square foot office building.

TRACT 4: (Lot 1, Block 1)

*Being a tract of land located in the James F. Chenoeth Survey, Abstract No. 267, the William P. Shahan Survey, Abstract No. 1337, and the Samuel P. Brown Survey, Abstract No. 158, Dallas County, Texas, and being a part of that tract of land described in deed to Prentiss Properties Acquisition Partners, L.P., as recorded in Volume 2004100, Page 5411, Deed Records, Dallas County, Texas, (DRDCT), and being all of Lot 1, Block 1 of Lot 1, Lot 2, Lot 3, and Lot 4, Block 1, Park West Phase II, an Addition to the City of Farmers Branch, as recorded in Volume 85186, Page 3424, DRDCT.*

Comments: This tract has a street address of 1509 LBJ Freeway. This tract, which is vacant land, is essentially the common area of the Fenton Centre development.

**Tract 2: 1700 Valley View Lane**

The 1700 Valley View Lane property is a parcel of land located along the south side of Valley View Lane, 308 feet east of Luna Road. It is legally described as follows:

*Being a tract of land in the Francis Miller Survey, Abstract No. 926, Dallas County, Texas, and being all of Lot 1, Block A of Three Hickory Addition, an addition to the City of Farmers Branch as recorded in Document No. 20080134020, Deed Records, Dallas County, Texas (DRDCT), and being part of a tract of land described in deed to Income Opportunity Realty Investors, Inc., as recorded in Volume 2000249, Page 5755, DRDCT.*

Comments: This tract has a street address of 1700 Valley View Lane. This tract is vacant land.

**Tract 3: 2021 Valley View Lane**

The subject's 2021 Valley View Lane property is a parcel of land located at the northeast corner of Valley View Lane and Senlac Drive. It is legally described as follows:

*Being a tract of land in the F. Miller Survey, Abstract No. 926 and the S.A. & M.G.R.R. Survey, Abstract No. 1418, Dallas County, Texas, and being all of a tract of land as described in a deed to 2021 Valley View, LTD, and recorded in Volume 2003059, Page 0470 of the Deed Records of Dallas County, Texas (DRDCT) and being all of Lot 1 of the Kennington Square Addition, an addition to the City of Farmers Branch as recorded in Volume 82064, Page 3039 of the Plat Records of Dallas County, Texas.*

Comments: This tract has a street address of 2021 Valley View Lane. This tract is improved with a 177,805 square foot industrial building built in 1972.

Full metes and bounds descriptions of the sites are reproduced in the Addenda.

### **ASSUMPTIONS AND LIMITING CONDITIONS**

1. The appraisers will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless previous arrangements have been made.
2. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocation of value for land and improvements must not be used in conjunction with any other appraisal and is invalid if so used.
3. Disclosure of the contents of the appraisal report is governed by the bylaws and regulations of the professional appraisal organizations with which the appraiser is affiliated: specifically, the Appraisal Institute.
4. When the signatory of this appraisal report is a candidate or a member of the Appraisal Institute, its bylaws and regulations require the member or candidate to control the use and distribution of the report. Therefore, except as hereinafter provided, the party for whom this appraisal report was prepared may distribute copies of the report, in its entirety, to such third parties as may be selected by the party for whom this appraisal report was prepared. However, selected portions of this appraisal report shall not be given to third parties without the prior written consent of the signatory of the report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatory of the report. Nor shall the appraiser, firm, or professional organization of which the appraiser is a member be identified without written consent of the appraiser.
5. The legal description used in this report is assumed to be correct.
6. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Sketches are included only to assist the reader in visualizing the property.
7. No responsibility is assumed for matters of a legal nature affecting title to the property, nor is an opinion of title rendered. The title is assumed to be good and merchantable.
8. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.

**Three Properties in Farmers Branch**

**Premises of the Appraisal**

9. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
10. The value estimates assumes responsible ownership and competent management.
11. Unless otherwise stated in this report, the existence of hazardous substances, including without limitation mold, asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, or other environmental conditions, were not called to the attention of nor did the appraisers become aware of such during the appraiser's inspection. The appraisers have no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraisers, however, are not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde foam insulation, mold or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
12. The United States Corps of Engineers regulates wetlands (as defined in the Corps of Engineers Wetland Delineation Manual, January 1987). The appraiser has no knowledge that any portion of the subject property is wetlands. Further, the appraiser is not qualified to make such a determination. It should be understood that the value estimated is predicated on the assumption that there is no such condition on the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
13. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. Crosson Dannis, Inc. has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. Indeed, we have not been supplied with nor have we rendered a qualified opinion as to whether or not there are any "readily achievable" barrier removal items present. It is possible that a survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative affect upon the value of the property. Since Crosson Dannis, Inc. has no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property. Consequently, the subject property has been valued assuming compliance to ADA. Should a professional survey prove non-compliance, Crosson Dannis, Inc. reserves the right to re-evaluate the property.

14. Opinions of value contained herein are estimates. There is no guarantee, written or implied, that the subject property will sell or lease for the indicated amounts.
15. Crosson Dannis, Inc., as well as any employee, agent or officer thereof, shall be completely indemnified against any and all losses, claims, damages, liabilities, costs or expenses to which the recipient and/or third party user may become subject, but only if neither Crosson Dannis, Inc. nor any other indemnified person shall have been grossly negligent or shall have taken or omitted to take any action in bad faith in connection with the preparation of this report.

#### **Extraordinary Assumptions and Limiting Conditions**

16. The subjects' net rentable areas and land areas come from information supplied by either the management company or the client, with the exception of the size of 2021 Valley View Lane's net rentable area which was provided by the Dallas Central Appraisal District. The opinions of value contained within this report specifically assume this information to be correct. Any material variance from the stated sizes may alter the value estimates.
17. A rent roll and income/expense data were provided to the appraiser by subject's management company and are assumed correct.
18. The appraisers were unable to inspect neither the vacancies in Fenton Centre nor the interior of 2021 Valley View Lane (other than looking through the glass windows). It is a specific assumption of this report that the assumed condition, functionality and marketability of subject's vacant spaces is as described herein.

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## **PRESENTATION OF DATA**

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## **ECONOMIC AND DEMOGRAPHIC PROFILE**



## **FARMERS BRANCH ECONOMIC AND DEMOGRAPHIC PROFILE**

Relative to the appraisal of any form of real estate, the underlying demographic and economic forces of the surrounding community should be thoroughly considered as to their effect on the property under appraisal.

Potential demand for real estate is a product of the growth and stability of its environs. For this reason, a synopsis of the Dallas-Plano-Irving Metropolitan District (MD) including the city of Farmers Branch as a separate entity is deemed an integral part of this analysis.

### **City and Regional Data**

The city of Farmers Branch is located in the northern portion of the Dallas/Fort Worth metropolitan area. The community is located in the northwest corner of Dallas County, 14 miles northwest of downtown Dallas and 35 miles northeast of downtown Fort Worth.

### **Population**

Dallas County, in which Farmers Branch is located, is one of eight counties comprising the Dallas-Plano-Irving Metropolitan Division (MD). When adding the four counties that form the Fort Worth/Arlington MD, the Dallas/Fort Worth Metropolitan Statistical Area (MSA) is formed. As of the end of 2000, the Dallas/Fort Worth MSA had a population of 5,161,54 residents. Latest estimates report the current population at over 6.54 million

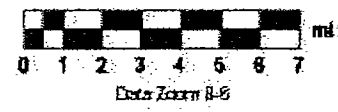
Historical and projected population for the metro area is as follows:

<b>POPULATION GROWTH FARMERS BRANCH: 1990-2015</b>			
<b>Population</b>	<b>Farmers Branch</b>	<b>Dallas County</b>	<b>Dallas-Plano-Irving MD</b>
1990	24,825	1,852,437	2,622,568
2000	27,508	2,218,899	3,451,226
2010 Estimate	28,384	2,449,107	4,381,511
2015 Projection	28,812	2,247,564	4,821,753
<b>Compounded Annual Growth Rate</b>			
1990-2000	1.03%	1.82%	2.78%
2000-2010	0.31%	0.99%	2.42%
2010-2015	0.30%	0.79%	1.93%
Source: ESRI (Environmental Systems Research Institute), a leading developer of geographic information systems software; the company also provides demographic data world wide.			

# Metropolitan Location Map



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**Farmers Branch Economic and Demographic Profile**

By comparison, U.S. annual population growth figures during the same periods are shown below.

1990-2000	1.24%
2000-2010	1.01%
2010-2015	0.76%

## Income

One relative measure of affluence is termed Median Household Income (MHI). MHI is used by ESRI to express after-tax earnings for locations throughout the nation. Farmers Branch area figures, as well as countywide and Dallas-Plano-Irving MD data are presented in the following table.

<b>MEDIAN HOUSEHOLD INCOME (MHI)</b>			
<b>FARMERS BRANCH: 1990-2015</b>			
<b>Median Household Income</b>	<b>Farmers Branch</b>	<b>Dallas County</b>	<b>Dallas-Plano-Irving MD</b>
1990	\$37,404	\$31,631	\$33,039
2000	54,414	43,561	48,867
2010 Estimate	62,479	57,028	65,076
2015 Projection	69,071	64,870	72,258
<b>Compounded Annual Growth Rate</b>			
1990-2000	3.82%	3.25%	3.99%
2000-2010	1.39%	2.73%	2.91%
2010-2015	2.03%	2.61%	2.12%
Source: ESRI			

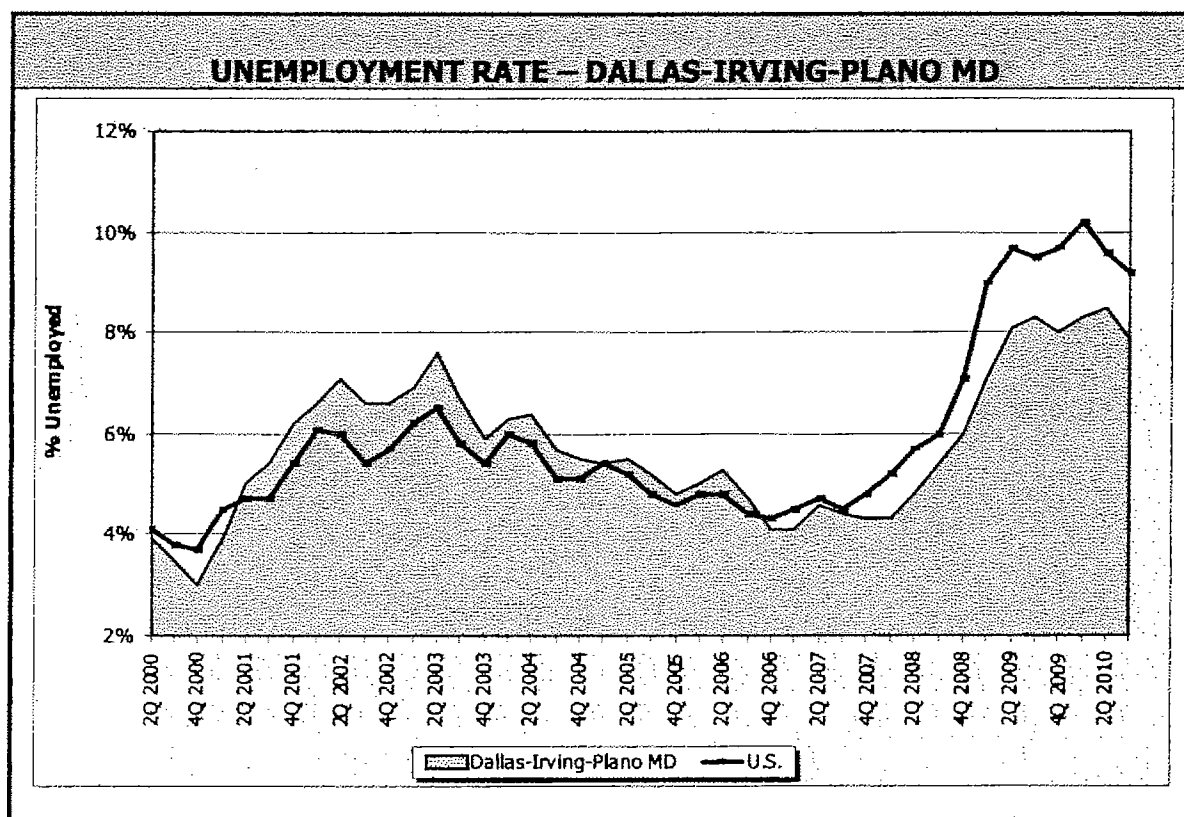
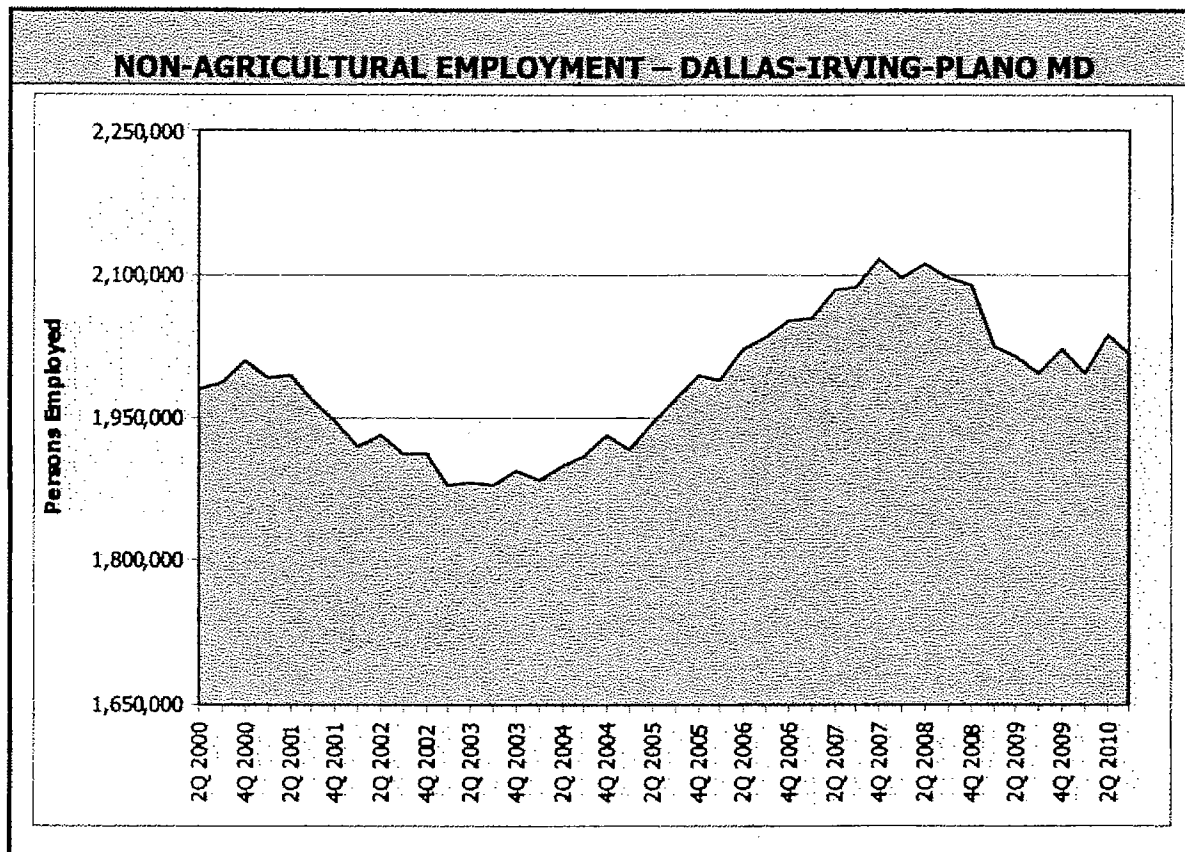
By comparison, U.S. annual MHI growth figures during the same periods are shown below.

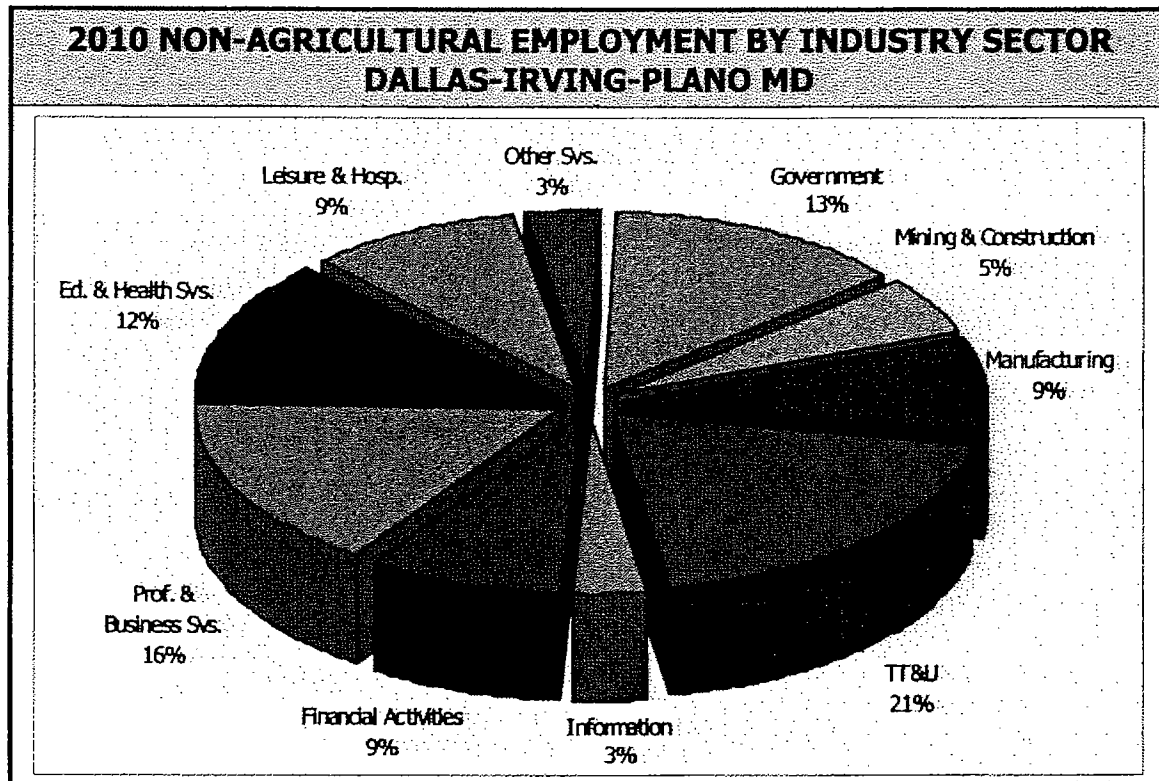
1990-2000	3.44%
2000-2010	2.59%
2010-2015	2.36%

## Employment

Given that many residents of Farmers Branch commute to Dallas, Fort Worth or other Metroplex cities to work, an analysis of the area-wide economy is helpful in determining the individual growth potential of the city. The Dallas/Fort Worth MSA is heavily dependent upon the trade, transportation & utilities sector, followed by the professional & business services and government sector. The dependence on these sectors is apparent when reviewing the area's largest employers that include Raytheon, AT&T, EDS, Baylor Health Care Systems, UT Southwestern Medical System, Energy Future Holdings Corporation, United Parcel Service, Southwest Airlines, Compucom, and Lockheed Martin.

The accompanying graphs based on quarterly reports through third quarter 2010 and published by the U. S. Bureau of Labor Standards, detail Dallas-Plano-Irving MD employment and unemployment trends.





FARMERS BRANCH LARGEST EMPLOYERS		
Employer	Number of Local Employees	Business Description
IBM Corporation	3,200	Office Products
J.P. Morgan Investment Services	2,390	Financial Services
Maxim Integrated Products	1,352	Semiconductors
GEICO	1,200	Insurance
Tuesday Morning	1,000	Decorative and Gift Items
Telvista	950	Telecommunications
AT&T	830	Telecommunications
TD Industries	811	Heating and Air Conditioning
Essilor Labs of America	751	Eyewear
Celanese Corp.	700	Chemicals
Monitronics International	600	Alarm Monitoring
Fannie Mae	600	Financial Services
Source: ONCOR Community Profile 2010		

## Construction Activity

Residential building construction usually reflects the local economy in general. A 10-year summary of residential building permits in the area is shown in the following table.

RESIDENTIAL BUILDING PERMITS FARMERS BRANCH: 2000-2010*				
Year	1 Unit	2 Units	3-4 Units	5+ Units
2000	6	0	0	0
2001	8	0	0	0
2002	6	0	0	0
2003	7	0	0	0
2004	5	0	0	0
2005	2	0	0	0
2006	19	0	0	0
2007	39	0	0	0
2008	3	0	0	0
2009	2	0	0	0
2010*	6	0	0	0
*Thru September 2010 Source: U.S. Department of Commerce, C-40 Series Construction Reports				

The median home value in the metro area, according to National Association of Realtors, was \$134,700 in the second quarter 2010, up 2.1% from 12 month prior.

## Transportation

Major roadways within the area are identified as follows:

NORTH-SOUTH ACCESS	EAST-WEST ACCESS
IH 35 N to Denton and Ardmore, OK	ST HWY 121 E to McKinney
IH 35 S to Waco and Austin	ST HWY 121 W to Grapevine
IH 45 S to Houston and Galveston	IH 20 E to Tyler and Shreveport, LA
US 75 N to Sherman/Denison and Tulsa, OK	IH-635 (LBJ Freeway) with IH-20 & Loop 12 circles the city
Dallas North Tollway to northern suburbs	State Highway 190 (The President George Bush Tollway) from Garland to IH-35 in Carrollton

## Airports

Commercial air transportation is handled through two major facilities. The D/FW International Airport, located midway between Dallas and Fort Worth, is the world's largest in terms of land area, covers in excess of 18,000 acres, provides employment for 217,000 individuals and handled 56,030,457 passengers during the year 2009. New additions to the airport include a consolidated rental car terminal, bringing together 11 companies and 5,000 cars at one central location and the new international terminal D that opened in May 2006.

Dallas Love Field, located approximately four miles northwest of Dallas' central business district, is a second option for air travelers. Handling 7,744,522 passengers in 2009, Love Field is home to Southwest Airlines; Continental and American Airlines also have service at Love Field at this time. Southwest Airlines together with a number of political and corporate supporters successfully petitioned for the repeal of the Wright Amendment, a Federal Bill that restricted direct flights from Love Field. Flights to and from Love Field are likely to increase significantly, particularly after the passage of the "phase in" period and with the complete lifting of the restrictions during 2014.

### ***Rail***

The Dallas-Plano-Irving area is served by the Burlington Northern and Santa Fe Railway's Intermodal freight transport yard, the Yellow Freight Systems' cross-docking

### ***Public Transit***

Regional bus service and the recently improved Dallas Area Rapid Transit, a light rail master plan that will be a 20-year step-by-step process, provide Mass transit in the Dallas area. Currently, selected suburbs are being connected with the Dallas metro area, with plans calling for the \$1.8 billion, 67-mile network eventually to join both "The T" in Fort Worth, as well as D/FW Airport.

### **Conclusion**

- Population growth in the MD is expected to continue to be among the most robust of any area in the nation; however at slightly lower rate of growth is expected compared to that of the last decade. The area's projected population growth through 2015 is expected to be more than 2.5 times greater than that of the US.
- Based on statistics provided by the U.S. Bureau of Labor Statistics, Dallas-Plano-Irving MD non-agricultural employment grew by an average of 12,250 positions annually between December 1999 and December 2009. In the 12 months ending September 2010, however, 20,200 jobs were gained, about 1.0% of all nonfarm employment in Dallas-Plano-Irving MD.
- Employment in the area has generally outperformed the U.S. overall. This trend is expected to continue in the near term. The local unemployment rate of 7.9% is below the national rate of 9.2%. Dallas/Fort Worth is home to 25 Fortune 500 companies.
- Based on the preceding, it appears likely that the metro area's economic growth will outpace that of the U.S. for the near term. The area's projected annual growth in MHI through 2015 is 2.12%; the national MHI growth rate through the same period is 2.36%.



## **MARKET AREA ANALYSIS**

A **"Market Area"**, as defined in *The Appraisal of Real Estate*, 13th Edition, copyrighted 2008, published by the Appraisal Institute, is "The geographic or locational delineation of the market for a specific category of real estate, i.e., the area in which alternative, similar properties effectively compete with the subject property in the minds of probable potential purchasers and users". Salient characteristics of the market area follow.

### **Market Area Boundaries**

The subject market area lies in the northwest portion of Dallas County and includes portions of the city of Carrollton and Farmers Branch. It is generally bound by the Trinity River (west), IH-635 (south), IH-35 (east) and Sandy Lake Road (north). These boundaries are chosen because properties within these boundaries are comparable in such general features as physical characteristics, price range and use, or are complementary. A map depicting these boundaries is presented on the following page.

### **Distribution of Land Use**

The market area is generally rectangular in shape and approximately eight square miles in size. It is situated approximately 15 miles northwest of the Dallas Central Business District (CBD), approximately 10 miles northeast of the Dallas/Fort Worth International Airport and 10 miles northwest of Dallas Love Field Airport. Approximately 45% of the market area is built-up with industrial, distribution and office facilities. The bulk of the developed land is located in the east central portion of the market area.

### **Linkage Attributes**

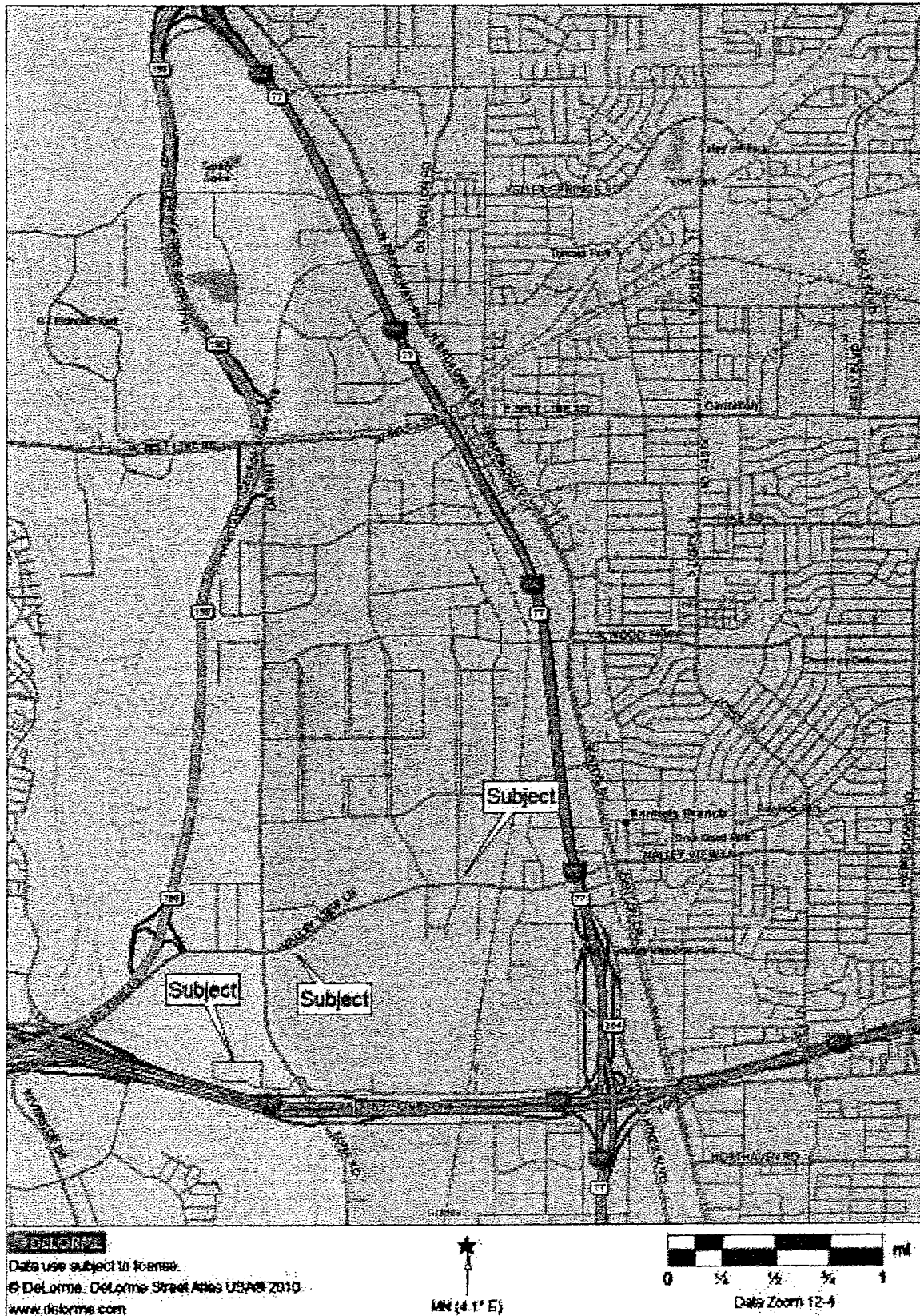
One of the positive assets of the market area is its close proximity to major highways. This access is extremely important to the Dallas area distribution market, which is heavily dependent upon motor freight transportation of goods. IH-35E provides uninterrupted north/south access. East/west access is provided by IH-635 that is a circumferential highway that forms Dallas' outer loop. Access to any of Dallas' major highways is available using these two traffic carriers. In addition to the major highway infrastructures, the market area also has a concentrated network of market area carriers, most of which are concrete and range from four to six lanes.

### **General Characteristics of the Market Area**

As previously discussed, the market area is approximately 45% developed with primarily office/warehouse/showroom facilities.



## Market Area Location Map



HC 00069